Special Issue on Adm. Strauss' Successor

New AEC Chairman Defends Teller But Attacks 10 Caltech Opponents of Atom Testing, P. 3

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John A. McCone Devises A New Gimmick to Get Around Conflict-of-Interest Law

A "Dear Sherm" Letter the Press Ignored

The scene was the old Supreme Court chamber, loveliest room in the Capitol, still furnished as if it expected lady visitors in crinolines. A small gray-haired man who seemed to have the faculty of talking without opening his mouth or even moving his lips sat before the microphone at the witness table. High up on the mahogany bench before him, under the gilt eagle and the ancient clock, were members of the Joint Committee on Atomic Energy. The man at the microphone was John A. McCone, Admiral Strauss' successor as chairman of the Atomic Energy Commission.

Though Mr. McCone may be one of the most powerful officials of the government during the next five years, with crucial influence on questions of war and peace, the public benches were almost empty and there was only a handful of reporters present. There was a more dazzling side-show elsewhere. This was Goldfine Day, the first appearance on the stand of that exuberant *Litvak* who claimed merely to be a Jewish Santa Claus. He was being exposed instead as a tax-deductible Mephistopheles, corrupting innocent New England gentiles by lying in wait for them with second hand Oriental rugs. How could the austere abstractions of nuclear policy compete with such racy and covertly racist melodrama?

Though Ethics Now Page One News

Yet the McCone hearing need not have been so quickly disposed of by the Joint Committee, nor so obscurely reported in the next day's papers. Ethics-in-office is currently page one news, and this had an ethical angle. It even had a "Dear Sherm" letter in which the new Chairman of the AEC put an ethical problem to the Administration's highest authority in the field. The letter made public for the first time a new and ingenious device for getting around conflict-of-interest law. Despite the sensitivity to these moral questions created by Goldfine's weakness for largesse, the Committee itself passed over all this rapidly, like a traveller anxious after one peep to get away from a precipice. The "Dear Sherm" letter went unmentioned in the press.

The Joint Committee is supposed to be the Congressional watchdog of the Atomic Energy Commission. The Senate is required to confirm appointments to the AEC. The function of the hearing on the nominee is to give the Senate and the public enough information on his past record and views to make possible an informed judgment. Yet the Joint Committee was offhand and cursory in its examination of Mr. McCone. No real effort was made to elicit his views on nuclear policy, and no adequate consideration was given his peculiar position on conflict-of-interest, though Mr. McCone will be involved in matters somewhat more momentous than the mislabelling of cloth, or even the discovery that Mr. Eisenhower's right hand man is not pure wool and a full yard wide.

"Not Practical" to Be Wholly Ethical

June 2, 1958

Governor Sherman Adams
The White House, Washington, D. C.

Dear Sherm:

Inclosed are three copies of a brief summary of my current holdings and the activities of closely-held companies in which I have an interest. All of this information was given to Mr. Wilkie orally on Thursday. He requested a memorandum, and you may pass this on to him if you desire.

For reasons which I discussed with you, it is not practical for me to divest myself of the ownership of my holdings. Therefore the question of any possible conflict of interest must be carefully weighed. I can be relieved completely of active management responsibilities and resign as an officer and director of all companies and, if desired, can place my stock in a voting trust so that I will be removed from control. However, I will continue to benefit from any success these interests may enjoy.

While companies in which I have interests are not engaged in Atomic Energy Commission contracts, you will note they are, and I personally am, engaged in contracts or joint endeavors with important AEC contractors. This could be construed as reason for prejudice or bias on my part when dealing with the relationship between the Atomic Energy Commission and the parties with whom my companies have business arrangements. I am thinking of such important AEC contractors as Union Carbide, Kaiser Engineers, Bechtel Company, Dow Chemical, Utah Construction Company, and possibly others.

I sincerely hope that such an objection will not be raised, but I feel the possibilities should be carefully considered by you and others before formal action is taken on the proposed appointment.

Sincerely, and with warm regards,

John A. McCone

More Important Mis-Labels

The AEC has been mislabelling dirty bombs as clean, misinforming the public on the feasibility of inspecting tests, and using millions in public funds to subsidize supposed examples of private enterprise in atomic power. As compared to the treatment given the minor peccadilloes of a minor textile manufacturer, the attention paid Mr. McCone by the Joint Committee, the Senate and the press is shockingly disproper-

(*Continued on Page Two*)

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New AEC Head Will Still Profit Though Temporarily Divorced from Management

McCone's Private Companies Do A Big Business With AEC Contractors

(Continued from Page One)

tionate to the power he will wield and the vast public funds of which he will dispose. Let us begin here with the more obvious conflict-of-interest angle.

The Atomic Energy Act provides that "No member of the Commission shall engage in any business, vocation or employment other than that of serving as a member of the Commission." The purpose of this provision was not only to ensure that the AEC would not become a part-time occupation for its members but also to insulate them from conflicts of interest. Yet Mr. McCone's "Dear Sherm" letter reveals that the new nominee instead of selling two wholly owned private companies is putting them into trusteeship with a California bank during his terms of office on the Commission. This will divorce him from the management of these companies, but their profits will still accrue to his account. The companies are the Joshua Hendy Iron Works and Panama Pacific Tankers.

A Disingenuous Reply

Presumably these holdings involve no conflict of interest. This was implied by what seemed to be a clear answer to a clear question put to Mr. McCone early in the hearing by Senator Anderson, who acted as chairman:

Sen. Anderson. I believe you said these companies do not do business with the Atomic Energy Commission and never have?

Mr. McCone. That is correct, sir.

But later in the hearings it turned out that this answer was not the whole story. It appeared that these companies work closely with some of the AEC's biggest contractors, and that "Therefore"—as Mr. McCone himself wrote Sherman Adams a month earlier (see page one box)—"the question of any possible conflict of interest must be carefully weighed." For reasons which Mr. McCone said he had already discussed with Governor Adams "it is not practical for me to divest myself of the ownership of my holdings." He hoped that by placing the stock "in a voting trust" that the requirements of the law would be met, although "I will continue to benefit from any success these interests may enjoy." Yet this arrangement was not questioned by the Joint Committee nor the Senate in confirming the new Chairman of the AEC.

The AEC's Conflict of Interest Rule

To get the full flavor of this extraordinary affair one must return to the record:

Senator Anderson. The AEC has a policy of ethical standards for its employees and officials. May I read from it? "Conflict of Interest. Employees, including consultants and designees shall avoid situations which require, or appear to require, a balancing of private interests or obligations against official duties." Would there be anything in that that would in any way embarrass you in your conduct in this office because of your former associations?

Mr. McCone. None whatsoever.

Senator Anderson. Do you think any extensive business relationships between your wholly owned firm and industrial concerns in the atomic field might appear to require a balancing of private interests against official duties?

Mr. McCone. No.

Senator Anderson. I say frankly I do not think so, either, but I do recognize that it is going to be a hard course to steer when you are dealing directly with Union Carbide as Chairman of the Atomic Energy Commission and Union Carbide is a prize customer of your privately owned firm.

He Searched His Soul

Mr. McCone. I have done a great deal of soul-searching on that question, as you know. This was the reason why I hesitated in accepting this nomination because, while I was confident as to my conduct, I did not want to be in a position where someone would even suspect I was acting under prejudice and bias.

The result of the soul-searching was the trusteeship device. At this point Mr. McCone put his letter to "Dear Sherm" in the record and went on to say that it had been "reviewed by the Attorney General's office," implying the Attorney General's approval. No one asked whether the Attorney General did in fact approve it and the whole affair was then given this apologetic brush-off by Senator Anderson.

Senator Anderson. I do want to say to you that I know it is sometimes hard to understand the reasons for questions of this nature but on the other hand I feel that if these questions are asked in advance it is much better, with the hope that nobody at a subsequent date will come up and say, 'Well, this firm does business with Union Carbide.'

We know your firm does business with the Union Carbide and I am perfectly satisfied to let that relationship continue. I hope that the day never comes that a man, in order to hold a position of public responsibility, has to be someone who has never acquired a dollar's worth of property in his life. Are there any questions on this matter?

There were no questions.

Not His First Appearance

The Senate and the public had a right to a more searching

(Continued on Page Four)

This Is The Feeble Way Mr. McCone Was Questioned About Nuclear Test Suspension

Sen. Anderson. Have you made any commitments with reference to several policy matters that I am going to ask you about? If you feel you cannot answer, all well and good. As to weapons testing, for example?

Mr. McCone. No.

Sen. Anderson. I ask that because just in the last day or two there was a statement that a man connected with the Atomic Energy Commission still did not feel it was safe militarily to engage in the suspension of tests. On the same day there was a story in the newspaper, in the same paper, on the same page, saying that our people were arriving at Geneva, ready to start discussions.

I think if there is a strong feeling on your part that there must never be any halt in the tests, that ought to be known, because it will be in sharp conflict with, I imagine, the opinion of the Secretary of State, John Foster Dulles, who apparently is trying very sincerely to arrive at a suspension of tests with proper safeguards that Senator Knowland mentioned.

You have no opinion that cannot be shaken on that question if the safeguards were satisfied?

Mr. McCone. No, I have no opinion. As I expressed in that letter to Dr. Lauritsen that I read, (see next page) the closing paragraph, I am a great supporter of a program under adequate and proper safeguards. In answer to your specific question, I have made no commitment, I have no irrevocable conviction on this question.

—Joint Committee on Atomic Energy, July 2.

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From McCone's Letter Protesting the Anti Nuclear Test Stand of 10 Caltech Scientists

Admiral Strauss' Successor Provides A Self-Portrait of His Own Views

"This morning I read with amazement your statement. It seemed to me the arguments you use concerning renouncing the H-bomb tests are without validity. . . . You mention Foreign Minister Shepilov's statements of July 17, suggesting abandonment of bomb tests; but what you fail to mention is that on almost the day Mr. Shepilov made the statement the Russians were conducting nuclear tests in the interior of Siberia.

"You, Dr. Lauritsen, and your associates know the lead time required to conduct a test. You know that almost a year must transpire from the time the test is decided upon until it is made. This year is consumed in planning, assembling material and construction and, finally, in the transportation of the device to be tested. Now, if we make a unilateral decision of a type you and your associates advocate and then Mr. Shepilov does as he did last July—turns around and sets off a few hydrogen bombs in their own testing ground—where do we stand? The answer is simple. We have lost a year; we are behind in the race. . . .

No Harm in Fall-Out

"Your statement is obviously designed to create fear in the minds of the uninformed that radioactive fall-out from H-bomb tests endangers life. However, as you know, the National Academy of Sciences has issued a report this year completely discounting such danger. Also you know from your close contact with the tests that one of the important objects of them is to develop techniques for reducing fall-out.

"Your proposition that postponement of tests will delay the time when other nations might possess practical H-bomb experience seems to have no foundation. In fact, it is an argument that has for several years been a prominent part of Soviet propaganda. . . .

"As far as our prestige in Western Europe is concerned, I have spent much more time in Europe during the past two years than you have and have been in touch with the civilian or military officials of practically all Western Europe governments and I can tell you that our conduct of tests, H-bomb or other nuclear devices, is not at issue with our prestige in Western Europe.

"You infer that our government shields our people from the realities of the dangers which confront us. This impression is false. President Eisenhower has repeatedly warned us of these dangers. . . .

Suppose We Had Listened to Robert Oppenheimer?

"A unilateral decision of the type you recommend might be fatal to our country. It might easily lose for us the precious technical advantage we now hold. Think of the desperate circumstance we would find ourselves in today had we followed the advice of one scientist, Dr. Robert Oppenheimer, a few years ago and abandoned the development of the H-bomb. Democrats and Republicans alike at that time saw the folly of such thinking. I am sure the more thoughtful members of both parties will see the extreme hazards to our national security in the course you recommend and advocate.

We Can't Disarm Yet

"I stand steadfastly behind a policy of disarmament when we reach agreement with other nations for a safe and proper procedure of inspection so that we Americans will be sure that, as we take our guard down through agreement with Russia, we will not be exposing ourselves to their unrestricted power against which we will have no defense. This President Eisenhower has advocated time and again. It continues to be his policy and you, unfortunately, have completely distorted his position in your press release."

The Scientists Who Angered McCone

Here is the gist of the letter sent by John A. McCone, new chairman of the Atomic Energy Commission, on October 15, 1956, to Dr. Thomas Lauritsen, professor of physics at California Institute of Technology. Mr. McCone is a trustee of Caltech. Prof. Lauritsen and nine other Caltech scientists including Dr. Carl D. Anderson, Nobel laureate in physics for 1934, that day published a statement supporting Adlai Stevenson's proposal for a ban on H-bomb testing.

The 10 scientists disagreed with Eisenhower's expressed regret that the nuclear issue had been injected into the campaign. "On the contrary," they said, "we find it regrettable that discussion of our military strength, of our vulnerability and of our foreign policy in relation to the H-bomb have thus far represented such a small proportion of current political discussion."

That statement also took issue with the argument that Stevenson's suggestion would be dangerously unilateral and permit the Soviet Union to get ahead in nuclear technology. The other signers were Harrison Brown, Robert F. Christy, James W. M. Dumode, Robert V. Langmuir, Charles P. McKinney, Matthew Sands, John M. Teem and Robert L. Walker.

McCone Defends Teller's Right to Speak But Not His Opponents

Sen. Anderson. Here were ten scientists who individually decided it was safe for this country to stop testing as long as other countries stopped testing. Mr. McCone took them pretty strongly to task and there were suggestions which I understand he did not make, that they all be fired. . . . Now, if Mr. McCone becomes chairman of the Commission, and it has been established that he would, do you think a scientist would dare express himself on the subject if he worked for AEC while you were chairman?

Mr. McCone. There was no scientist fired from Caltech on advice or recommendation from me, sir. . . .

Sen. Anderson. Now, Dr. Teller has made some statements about the ability to detect tests. He is a scientist. He was connected with the University of California. . . . Do you see anything wrong in that?

Mr. McCone. Not at all.

Sen. Anderson. Then he went on to television and expressed himself very freely on the subject. Is there anything wrong with that?

Mr. McCone. Nothing at all.

Sen. Anderson. What is the difference between what Dr. Harrison Brown did and what Dr. Teller did?

Mr. McCone. Well, Dr. Teller was speaking as an individual and as an authority in a particular area. I felt, as I have said before, that Dr. Harrison Brown recruited ten men, I assume he did, ten of them together, and using their position in the Institute [of nuclear research at Caltech] injected themselves into what appeared to me to be a political argument. That was my objection to their procedure.

—July 2 before the Joint Committee on Atomic Energy.

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Senate Confirmation of AEC Members Not Supposed to be Rubber Stamp

(*Continued from Page Two*)

examination because this is not Mr. McCone's first appearance in dealing with the government. There was a cryptic reference to the past when Senator Anderson said early in the hearings, "a good deal of the mail that I got after your name came up had to do with your partnership in the firm of Bechtel-McCone." The Senator never explained what kind of mail it was, whether any charges had been made, nor what investigation disclosed. The only other reference in the record to this company occurs in Mr. McCone's own letter to Governor Adams, where it appears that the Bechtel Company (Mr. McCone has given up his partnership in it) is one of those concerns which will be dealing both with the AEC and the private companies of its new chairman.

His Old Firm Makes Reactors

The Bechtel-McCone company has been engaged in making atomic reactors for the AEC, and its importance is indicated by the announcement June 30 that W. Kenneth Davis, director of the AEC's Division of Reactor Development, was resigning to become vice-president of Bechtel. Mr. McCone as chairman of the AEC will be dealing with a company he helped to form in 1937 as the Bechtel-McCone-Parsons Corporation to engage in construction and engineering work. During the war it built a huge center at Birmingham, Alabama, for the modification of B-24's and B-29's. It also had a management contract to run the war-time California Shipbuilding Company of which Mr. McCone was president.

According to testimony from the General Accounting Office before a 1946 investigation by the House Merchant Marine Committee into wartime shipyard profits, this shipbuilding company was formed in January 1941 with $100,000 in capital, half of it put up by Henry J. Kaiser companies. A year later it declared a $1,000,000 dividend. The GAO claims the company made $44,000,000 in profit. Mr. McCone claimed in rebuttal that after all taxes and non-reimbursable costs, the earnings were less than $9,000,000, or an average of about $2,000,000 a year, itself not a bad return on that original $100,000 invested in the risk-free business of running a war-time government owned shipyard. The same Congressional committee, reporting a few months later on the disposal of government owned yards, complained that Mr. McCone's company was paid $2,500,000 by the Maritime Commission to take over a yard costing $25,000,000 and surplus material costing $14,000,000. The whole operation showed a genius for making a fast and fancy buck.

A Small-Time Operator

In the light of their long running fight with Admiral Strauss, it is difficult to understand the complaisant attitude toward Mr. McCone by men like Senator Anderson and Congressmen Holifield and Price. The angry letter he sent the Caltech scientists on nuclear testing (see page 3), when coupled with his defense of Dr. Teller, shows how completely he shares Admiral Strauss' preconceptions. He is unlikely to be any friendlier to public power. His continued private business connections carry the seeds of potential scandal, and establish a dangerous precedent in the conflict-of-interest field. He seems to have no visible qualifications for so important a position. He is a small-timer as a business man, an operator on the fringes of bigger enterprises. This is the man chosen to boss that huge sector of American scientific talent which is employed directly or indirectly by the AEC.

Privately some of the Joint Committee members rationalize by saying that the President has a right to pick the members of his official family. So he has. But Mr. McCone will be in office three years after Mr. Eisenhower leaves. The law, in providing for Senate confirmation of AEC appointments, certainly did not intend this to be a mere routine rubber stamp operation. Especially because so many people feel that the retirement of Strauss is some sort of victory, it was important to hold a hearing which would give the public a fuller look at the man he chose to be his successor.

A Carbon Copy of Strauss

From the Eisenhower Administration point of view, Mr. McCone fills the bill perfectly. He entered government earlier as a protege of Secretary Forrestal and has much the same arms race views. He was satisfactory to the Air Force lobby as Under Secretary of the Air Force in 1951. He served agreeably on the Wriston committee which made an innocuous inquiry into the foreign service for Secretary Dulles in 1954-5. He was a financial banker of Knowland in the recent California primaries and has often played golf with Ike. He was the latter's representative at Pius XII's 80th birthday in 1956. In background and outlook he promises to be a carbon copy of Strauss.

When a telegram was read by Senator Anderson from the Los Angeles chapter of the Federation of American Scientists, asking the nominee's views on academic freedom, information policy and government development of atomic power, the Republicans on the committee acted as if a group of servants had suddenly turned impertinent. Senator Anderson was half-hearted about putting the questions and the other Democrats sat in stultified silence. Mr. McCone was allowed to get away with a few vague generalities. It was only through the submission for the record of the "Dear Sherm" letter and the letter to Dr. Lauritsen (see page three) that a fuller portrait of the new AEC Chairman was inadvertently presented. Thanks to non-coverage by the press, very few people will know about this anyway. This is a strange way to pass on an appointment to one of the most important positions in our government.

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